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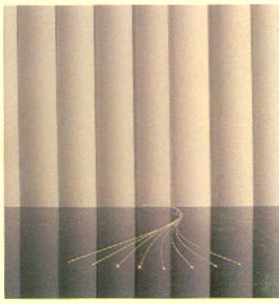
57th ANNUAL REPORT 1983



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MAR 26 1984
McGILL UNIVERSITY

QUÉBEC-TÉLÉPHONE

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On peut obtenir des exemplaires français de ce rapport à l'adresse suivante:

Le secrétaire
Québec-Téléphone
6, rue Saint-Jean
Rimouski (Québec)
G5L 7E4

IN SEARCH OF EXCELLENCE

The Financial Post Trophy awarded to Québec-Téléphone in 1983 for its dynamic support of the arts.

Québec-Téléphone's firm determination to retain full customer confidence in the new competitive environment motivated new programs designed to achieve excellence in all its activities.

The Company's continued leadership as provider of a wide range of products and services meets the expectations and needs of its different publics: i.e. for the customer, the benefits of highly efficient communications equipments; for the shareholder, a fair return on his investment; for the employee, sound career opportunities.

CORPORATE PROFILE

Québec-Téléphone relies on the combined energies of various partners working together to offer efficient communications services to the public, to enhance the flow of information and the dynamism of exchanges for both the private and public sectors.

As a link in a worldwide network, Québec-Téléphone guarantees permanent and dependable service to its subscribers in their communications among themselves and with the rest of the world. To do so, the Company applies the best proven technologies to adequately service half a million people living on the outskirts of Québec City and in the Lower St. Lawrence, Gaspé and North Shore regions.

With the dedication of its two thousand employees as its main asset, Québec-Téléphone asserts its competence in sectors as diversified as computer communications, word processing, mobile radio and paging systems as well as the transmission of voice, data, radio and television programs. The various interactions made possible by these resources are instrumental in helping the community to better apprehend and master the changing world we live in.

HIGHLIGHTS

		1983	1982	Increase (Decrease)
Financial (thousands of dollars)	Operating revenues	**$ 151,516**	$ 139,587	8.5 %
	Operating expenses	**105,752**	98,351	7.5 %
	Salaries and benefits	**55,914**	53,633	4.3 %
	Net income applicable to Common shares	**18,045**	14,127	27.7 %
	Dividends on Common shares	**10,104**	8,576	17.8 %
	Gross capital expenditures	**29,190**	34,869	(16.3 %)
	Telecommunications property, at cost*	**463,385**	445,771	4.0 %
Shareholders items	Earnings per Common share	**$ 3.97**	$ 3.35	18.5 %
	Dividends declared per Common share	**$ 2.22**	$ 2.03	9.4 %
	Common share equity per share*	**$ 24.11**	$ 22.35	7.9 %
	Return on average Common share equity	**17.1 %**	15.5 %	10.3 %
	Average number of Common shares	**4,547,494**	4,221,885	7.7 %
	Number of Common shareholders*	**3,955**	3,617	9.3 %
Other statistics	Subscriber lines in service*	**209,492**	204,455	2.5 %
	Terminals in service*	**290,713**	287,318	1.2 %
	Toll messages handled (in thousands)	**29,501**	28,175	4.7 %
	Number of employees*	**2,023**	2,036	(0.6 %)

* At December 31

By using the most advanced technology which enhances the flexibility of its network, Québec-Téléphone implements today the answers to the future communications needs of its subscribers.

THE CHAIRMAN'S LETTER

Raymond Sirois
Chairman
of the Board

In 1983, Québec-Téléphone observed in its territory the beginning of an economic recovery which investors and consumers agreed to support. Primary industries, the performance of which is so vitally important to our territory, showed signs of renewed activity. The announcement of new fisheries research centres and an improvement of existing facilities in the Gaspé Peninsula, the expanding aluminum production on the North Shore, the modernization of paper mills in the eastern part of the Province and the diversified breakthrough on the export markets by agricultural enterprises around Québec City are all examples of this turnaround. A marked decrease in the number of commercial bankruptcies and a growth in housing development and consumer expenses also, in many ways, inspired new confidence. These indicators guided Québec-Téléphone through its shift from a monopolistic market to a partly competitive environment, a transition which was the major challenge of the year.

A Different Context

The multiple options now offered to the clientele as well as the restructuring of our rates brought about a careful revision of many practices throughout the Company. Our adjusting to these new methods was more than simply the implementation of operational changes; for all of us, it turned out to be a stimulating exercise in discernment and sensitivity.

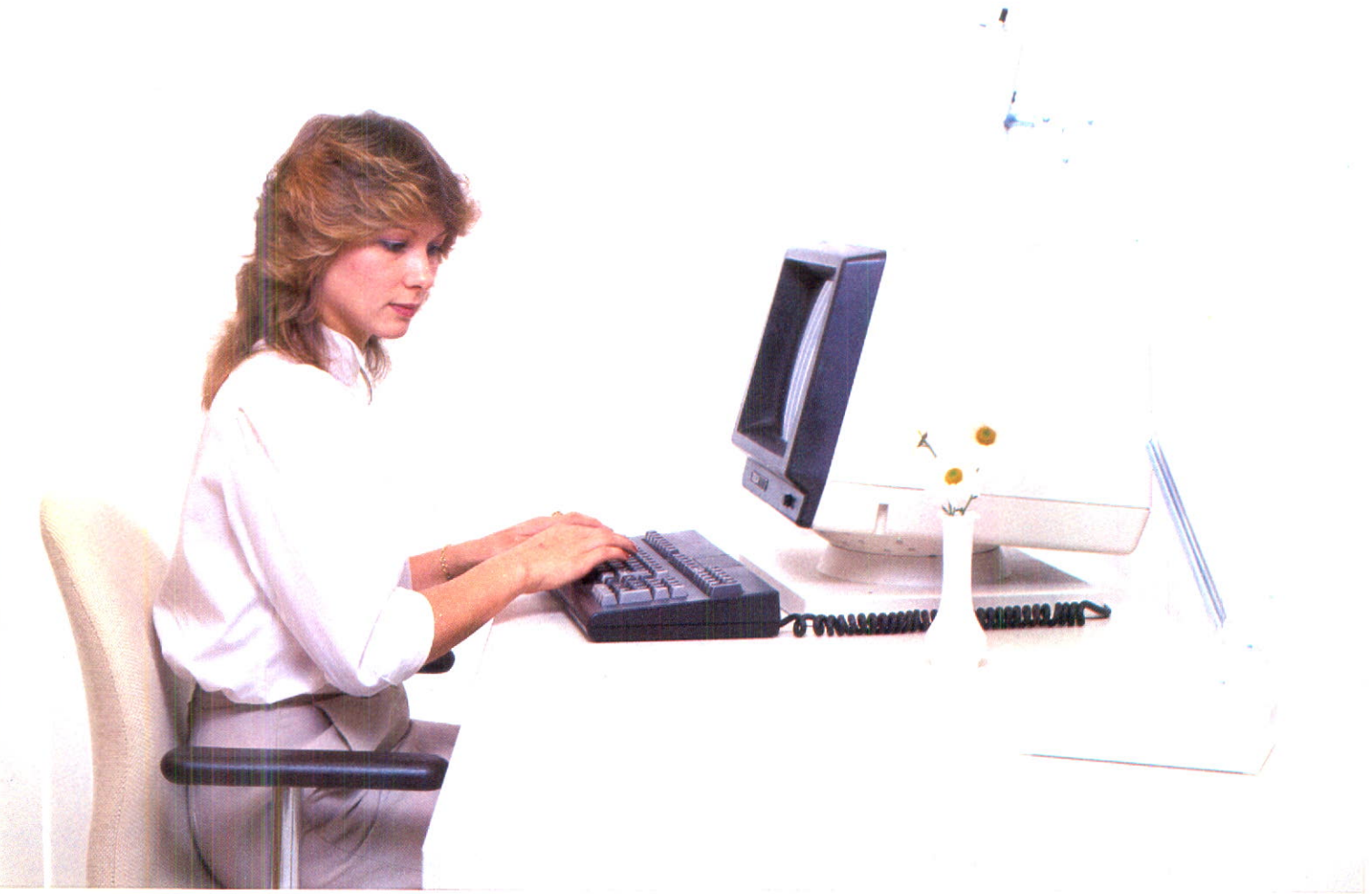
A New Attitude

To make our various customer relations even more responsive and efficient, we took time to examine our personal attitudes toward the public and assessed the quality of attention paid to specific subscriber needs. This psychological preparation which sustained our move towards a more competitive market had beneficial effects as demonstrated by the fact that the pressure of yearly household movings in early July and the introduction of interconnection at the same time did not prevent Québec-Téléphone from improving the quality of its service indicators during the summer as confirmed by scientific surveys.

Essential Distinctions

The subscribers newly acquired authorization to attach their privately-owned equipment to the public network made them more aware of the actual cost of using the local network. The new rate structure separates the cost of terminal equipment from that of the network. This contributes to a better understanding of the relative importance of that unknown facet of telephone service, the network, i.e., all the human and technical resources necessary to guarantee universal, round-the-clock, reliable communications.

Another innovation was the unbundling of service charges for each task performed on customer request in order to more accurately reflect the level of expenses actually incurred by the Company on any equipment installation. By applying separate charges to order processing, line connection, travel time, work on-premises and wiring, it becomes possible to reduce the customer bill whenever any one of these steps is not required.



As the exclusive sales representative of manufacturing firms specialized in word processing and management information systems, Québec-Téléphone makes significant breakthroughs in the office automation market.

A Search for Equity

But the most promising measure of our search for equity was the establishment, in the second quarter of 1983, of compensatory service charges applicable to those customers who request the services. This change is a further step towards a better price/cost ratio, a new philosophy emerging from serious year-long studies leading to a fundamental reexamination of the local service pricing concept.

When most of us have personal computers at home, the intensive use of telephone lines for entertainment or information purposes will undoubtedly place considerable pressure on the network. Will it then appear equitable to price on an identical basis short utility or emergency calls and extended use of lines to participate in electronic games? In time, local measured service may emerge as the only way to fairly distribute the costs among different types of users.

New Needs to Be Met

While preparing to offer these future options to the public, Québec-Téléphone is committed to implement today the answers to the communications needs of a society increasingly dependent on information.

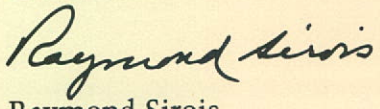
The existing possibility of connecting a variety of terminals to our facilities emphasizes the unique benefits of integrating voice, video and data signals on the same network. The phenomenal development of digital technology makes this possible. Québec-Téléphone invested more than money in the digitization of its network. Intensive training programs on the cutover and maintenance of new-generation switches now permit our employees to coordinate operations previously contracted by the manufacturers. These and other training programs designed to increase the autonomy of our crews involved in fiber optics installations have received top priority during the year.

A Concern for Continuity

Accustomed as we are to overcome distance for the commodity of our customers, we firmly believe that our marketing thrusts in office automation and data transmission will positively sustain our intensive long-distance network development. The stimulation of business communications appears all the more profitable as it is based on a tradition of responsiveness and continuity of service which is increasingly appreciated in our changing times.

Though Québec-Téléphone continues to be the foremost provider of communications services in its territory, we must not take this for granted nor rest on our laurels. To remain number one in the minds of our customers, we rely on the constant effort of our 2,000 employees who strive diligently and ingeniously to provide for the largest possible number of people the best services at the lowest price. For all of us, it is a matter of leadership and the key to real success.

On behalf of the Board of Directors



Raymond Sirois
Chairman of the Board
February 7, 1984

Québec-Téléphone's Télécentres *display a wide range of products and offer purchase or lease options, more personnalized service, in-house replacement or repair of telephone sets and immediate delivery.*

Two distinct events which had a dominant impact in 1983 helped strenghten Québec-Téléphone's public image as a competent and service-oriented enterprise: the introduction of competition in the terminal market contributed significantly to the public awareness of the Company's activities and objectives; the celebration of the World Communications Year enhanced Québec-Téléphone's growing contribution to the computerization trend spreading rapidly into every aspect of modern life.

Customer Relations

The most evident strategic move in the new context of competition was the conversion in July of the Company's Business Offices into ten *Télécentres* where consumers now have access to a wide range of products, purchase or lease options, personalized service and immediate delivery. At the same location, moving customers can bring back the leased telephones they want to replace, an innovative practice which saves both the subscriber and the Company the usual charges for installer travel time and work on customer premises. Also, all apparatus leased or purchased from Québec-Téléphone are repaired at the *Télécentre*, which shortens waiting periods in most instances. And these service outlets still make it possible for customers to pay their monthly bills in person and therefore establish better relationship with the Company.

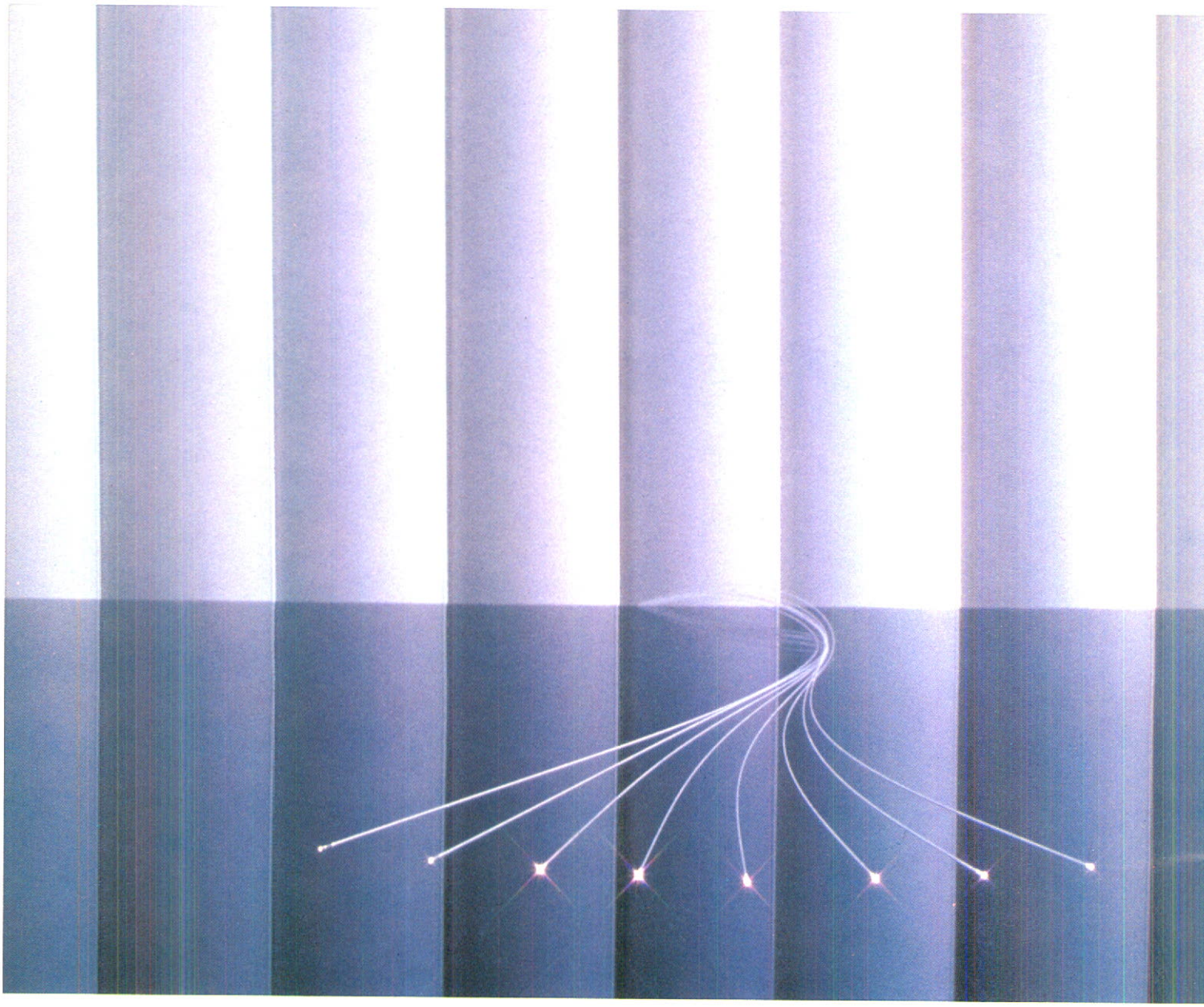
To attain the maximum impact of the numerous commercial exhibitions of its products and services and respond more effectively to the interest of the business people it regularly visits, the Marketing Department introduced a quarterly publication featuring products and services designed to improve the efficiency of administrators, professionals, industrialists and tradespersons. The magazine's various articles tend to demonstrate that the success of any enterprise is attributable to a large extent to the reliability and continuity of its telecommunications services.

Role in the Community

As the telecommunications leader in Eastern Québec, Québec-Téléphone helped develop public awareness of the objectives of the World Communications Year. The Company combined its resources to those of the medias in its territory to provide the general public with a better understanding of the way technology helps bring together people from all walks of life.

On the thematic day of May 17, a press conference was held for about thirty journalists and reporters in two major operating centers, Rimouski and Sainte-Marie-de-Beauce. This open-door activity which was covered by the national press helped improve understanding and cooperation from the news medias. This was demonstrated by the spontaneous decision of Télé-Capitale and Radio-Canada to produce distinct television reports on telephone operations with the Company's technical assistance. Similarly, the Rimouski and Beauce press clubs greatly appreciated the Company's support which contributed to the success of two seminars on information and new technologies.

In the arts and culture sector, the corporate visibility was also well served by the Financial Post's annual Award attributed to the Company by the Council for Business and the Arts in Canada and the Canadian Conference of the Arts for its sustained community support and promotion of music and the visual arts. Among the programs which attracted the judges' attention are the reproduction on directory covers of works by Québec painters, the public exhibition of the Company's art collection, the sponsorship of recitals, symphony concerts and support of various cultural publications.



Fiber optical systems present numerous benefits such as high transmission capacity, compactness and immunity to electrical interference. This technology represents the state of the art in the transmission of telecommunications traffic.

Throughout the year, Québec-Téléphone's planning priorities focused on regional network development and optimization of its operations. The Company's constant determination to improve the efficiency of its services is conveyed by the application of new technological approaches and increased mechanization of operations.

Innovations

The vast digital conversion program which mobilized energies within Québec-Téléphone since the beginning of the eighties continued in 1983 by the implementation of new digital switching systems at Grande-Rivière, Newport, Bonaventure and Amqui. The digitization program was reoriented however in 1983 to assume greater regional scope. In the service areas south of Québec City, the modernization of sixteen telephone exchanges using identical switching technology to simplify management will modify the network configuration to that of a local base at Saint-Henri-de-Lévis linked to twenty-five remote switching units.

Toll traffic between Sainte-Marie-de-Beauce and Québec City will be transmitted over a fiber optical link. This new system will transform voice, video or data signals into light pulses carried on hair-thin strands of ultra-pure glass. The opto-electronic systems, much more efficient and reliable than conventional copper wires and cables, integrate most adequately with the digital technology.

Mechanization

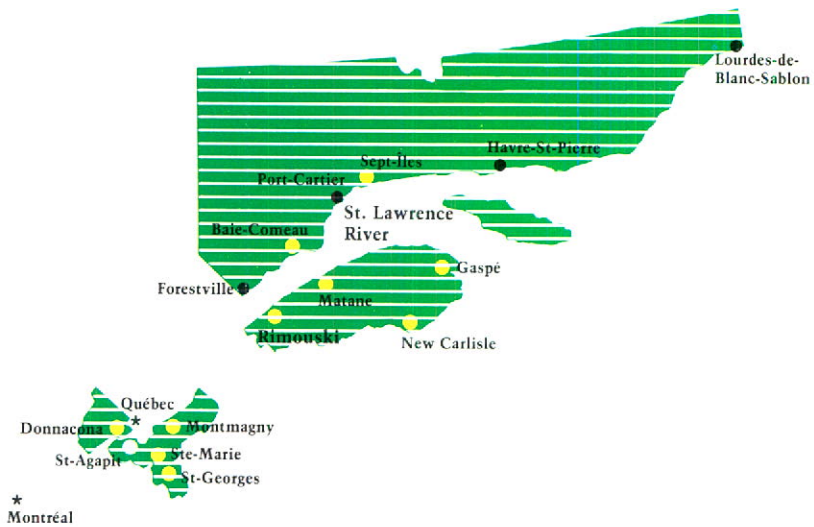
The computerization of material resources management helped implement new procedures which led to new levels of efficiency and productivity in different Company sectors.

The development of a data collecting system for switching equipment now facilitates the follow-up of the trouble repair process. It also results in a faster assignment of technical personnel to emergency action and provides continuous access to valuable indicators on the reliability of different category of equipment and their specific maintenance requirements. Moreover, mechanization helped improve the supervision of outside plant work by providing more accurate project cost estimates.

In the management of buildings, vehicles and supplies, computerization permits continuous and reliable data access. A daily updating of the stock levels for 16,000 item codes is as easy as the periodic production of a supply catalog. A similar system also provides precise information on vehicle assignment, mileage, repair costs and preventive maintenance. Applied to buildings, the centralization of data permits a better control over energy consumption and a more rational management of space.

Pursuing the mechanization of its financial operations, Québec-Téléphone is implementing new accounting and budget systems with direct on-line data entry and inquiry capability. These systems have been designed in view of the new competitive era and precede the introduction of an improved cost tracking system.

Québec



● Télécentres
Distribution Center

1983 IN BRIEF

January
Québec-Téléphone completes its line of data processing products and services with the addition of Rexon computers and Comterm terminals. Customers can now satisfy all their needs for circuits, modems, terminals, processing units and software at the Company's business outlets.

February
Québec-Téléphone's Data Processing Department implements a new multiprogramming system with capability for multiple virtual storage. This new system increases by about 20% the volume of work handled by the computer in a given period of time. This result is obtained without addition of equipment.

March
American Express Canada Inc., IBM Canada Limited and Québec-Téléphone are the three major recipients of the Financial Post's fifth annual Awards for Business in the Arts. The awards are presented to companies involved in the support of visual and performing arts in Canada.

Québec-Téléphone launches a multi-step information program in an effort to answer customer questions about terminal attachment. Several information leaflets are issued regularly to its 200,000 customers between March and July 1983.

April
Distribution of telephone directories in urban areas is entrusted to youth movements, the remuneration of which contributes to support their educational and leisure activities. This initiative is widely supported by the public.

May
The celebration of World Communications Day, on May 17, is a special opportunity for Québec-Téléphone to display publicly its numerous assets. The Company demonstrates its will to communicate through open houses for media representatives and interviews with management by various radio and television stations.

June
In anticipation of interconnection effective June 30, 1983, the Company opens ten *Télécentres* to serve as major points of sales and maintenance of telephones and related material.

July
In a decision rendered on July 12, the Québec Labor Commissioner certifies the *Syndicat des employés d'exécution de Québec-Téléphone* as legal representative of the Company's clerical employees and telephone operators in two separate units. These employees had been represented by the Interprovincial Brotherhood of Electrical Workers for the last few years.

August
Improved indicators concerning the overall quality of service are reflected in the results of customer opinion polls. The summer performance earns Québec-Téléphone top position in the GTE Marathon among eight competing companies of the same operating group.

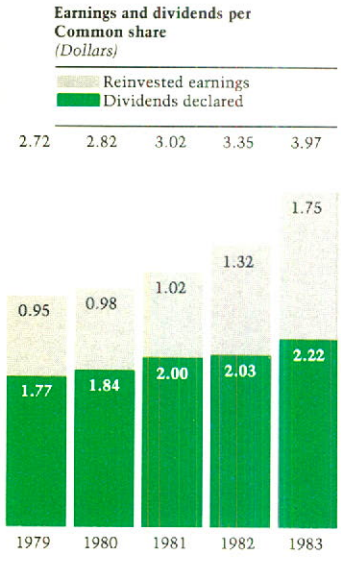
September
The 58 Outside Plant employees, Québec Region, collectively accumulate 1,300,000 kilometers on the road without accident. By safely driving their 45 vehicles including 13 heavy trucks, these climbers, splicers, repairmen and their foremen surpass all previous records since 1969 when the Company began compiling these statistics.

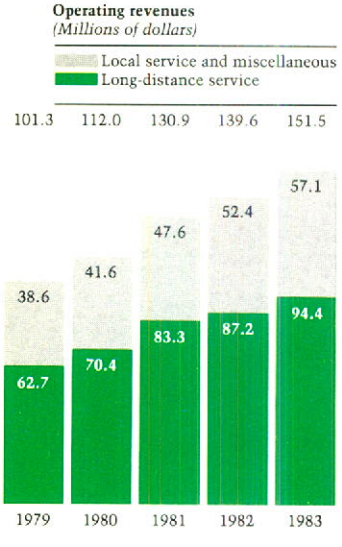
October
In accordance with a decree issued by the provincial government, Québec-Téléphone becomes the first telecommunications carrier ordered to provide essential services in case of strikes. Two union locals have to negotiate with the Company to determine which services must be maintained.

After attending several meetings convened by the Québec Minister of Communications and the *Association des Compagnies de Téléphone du Québec*, the Company supports the creation of a permanent Communications Forum to establish a policy for a harmonious and profitable technological development of communications in Québec.

November
In a judgment rendered on November 15, Justice Louis Morin of the Labor Court maintained a decision by the Labor Commissioner who, on October 4, certified the *Syndicat des employés d'exécution de Québec-Téléphone* to represent the Company's 670 craft employees.

December
Québec-Téléphone produces an audio document for handicapped persons who cannot consult the telephone directory, to inform them of the availability of services which could make life easier for them. The information cassettes, available free of charge to blind or illiterate persons, are part of the service package developed by the Company's Telecommunications Center for Disabled Persons.





Earnings

The economic recession which had a distinct slowdown effect on Company business in 1982 has somewhat receded in 1983, thereby contributing to a steadier demand throughout the year for our various telecommunications services.

For the period ended December 31, 1983, the net income applicable to common shares reached $ 18.0 million or $ 3.97 per share as compared with $ 14.1 million in 1982 or $ 3.35 per share, in spite of a 7.7% increase in the average number of common shares outstanding. The rate of return on average common share equity was 17.1% and 13.2% on average invested capital; in 1982, these rates of return were 15.5% and 12.1% respectively.

The continuation of the restrictive measures adopted in 1982 to restrain operating expenses, the increase in the volume of business resulting from an improving economic situation as well as the latest rate adjustment in effect since September 1982, have been the main factors contributing to the achievement of these results. Net income was also positively affected by the provincial income tax rate for corporations which was reduced from 8% to 5.5% on January 1, 1983.

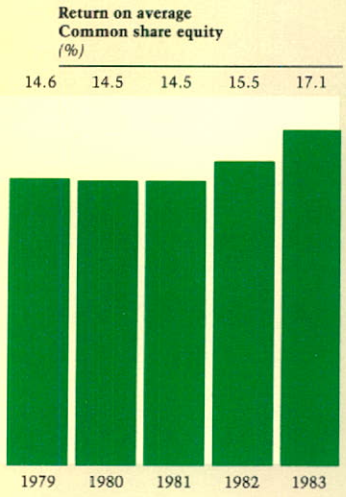
The quarterly dividend payable on common shares was raised effective January 1, 1983 from $ 0.50 to $ 0.53 per share and was again increased on October 1, 1983 to $ 0.58, bringing the annual dividend rate to $ 2.32 per share. For the year ended December 31, 1983, dividends declared on common shares totalled $ 10.1 million or $ 2.22 per share as compared with $ 8.6 million or $ 2.03 per share the previous year.

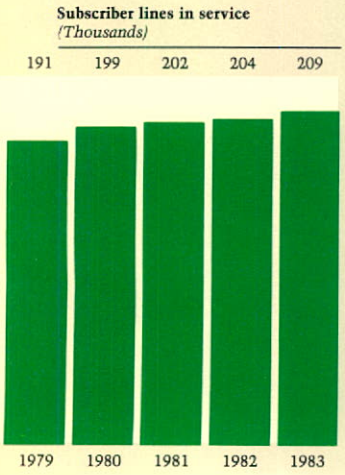
Operating Revenues

Operating revenues increased by 8.5% in 1983 to $ 151.5 million in comparison with $ 139.6 million in 1982. A higher demand for our toll services accounted for more than $ 6.2 million of the recorded increase, particularly due to a greater use of Wide Area Telephone Service and the leasing of private lines which increased by some 24% and 13% respectively. The increase in the volume of billed toll messages was more modest, rising 6.1% from 24.4 million in 1982 to 25.9 million in 1983. As of December 31, 1983, the Company had 209,492 subscriber lines in service, up 5,037 lines for the period compared with an increase of 2,036 lines in 1982. Revenues derived from service charges increased materially totalling $ 3.2 million as compared with $ 2.1 million in 1982 resulting mainly from the effects of the unbundling of service charges related to terminal attachment; this tariff revision, effective June 15, 1983, allows the Company to bill customers service charges reflecting more realistically the actual cost of such services. The latest rate adjustment effective September 1, 1982 also contributed to the improvement of the 1983 financial results. This rate adjustment generated about $ 4.1 million in additional revenues, including $ 3.2 million from local service and $ 0.9 million from toll service.

Operating Expenses

Due to the implementation of increasingly sophisticated computerized systems and to the continuation of





programs introduced in 1982 to improve productivity and control costs without decreasing the quality of service, operating expenses, excluding depreciation and taxes, were limited to $ 65.2 million, an increase of $ 2.7 million or 4.3% when compared with the $ 62.5 million incurred in 1982. Maintenance charges for telecommunications property, representing 42% of controllable expenses, reached $ 27.7 million, which is $ 3.0 million or 12.0% over 1982. It is however worth noting that nearly half of this increase is attributed to costs associated with inside wiring, reinstallation, reconnection and disconnection of terminals which, since July 1, 1983, are charged directly to operating expenses rather than capitalized; to partially offset this, compensatory service charges are billed to customers and included in operating revenues.

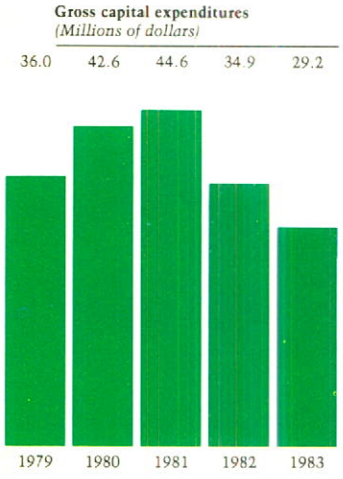
For the year ended December 31, 1983, depreciation increased by 15.5% to $ 28.4 million in comparison with $ 24.6 million last year. This results from a net increase of $ 20.1 million in depreciable telecommunications property as well as the application, since July 1, 1983, of revised rates of depreciation for certain categories of properties.

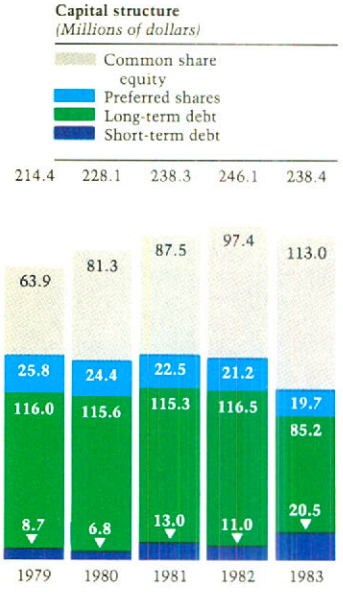
Financial Expenses

Financial expenses for the current year decreased by 6.4% from $ 13.9 million in 1982 to $ 13.0 million. This improvement results from the combination of a trend towards lower interest rates on short-term loans and a decrease in the average total debt for 1983. This debt reduction was achieved by means of internally generated cash flow exceeding the investment program requirements and the proceeds from the issue of more than 323,000 common shares to shareholders and employees participating in the various share purchase plans.

Capital Expenditures

Total investment in telecommunications property amounted to $ 29.2 million during the year. As in 1982, Company's management closely monitored the demand and responded by revising, changing, deferring and, in some cases, cancelling projects from its 1983 program which was estimated at $ 35.0 million at the beginning of the year. Differences with the original forecast are attributable principally to the postponement of various equipment replacements thereby extending the useful life of assets in service. The rural area service development program which began a few years ago was continued this year with approximately $ 3.3 million in new investments. Under this program, single line service became available this year to about 2,400 additional subscribers. Basic service required outlays of $ 15.6 million while the investment in equipment modernization and service improvement, excluding rural upgrading, amounted to $ 8.5 million. The major disbursements for service





modernization and improvement were allocated to the installation of digital switching systems in Grande-Rivière, Newport, Bonaventure and Amqui. Finally, $ 1.8 million was used for the addition and replacement of vehicles, tools and office equipment.

Financial Position

Under the Common Shareholders' Dividend Reinvestment and Share Purchase Plan and the Stock Dividend and Share Purchase Plan, 273,320 additional shares were issued to common shareholders, 214,454 of these being issued to the two major shareholders — *La Compagnie de Téléphone Anglo-Canadienne* and *Caisse de dépôt et placement du Québec*. During the preceding year, 226,344 shares had been issued under the same plans. In addition, 49,974 common shares were issued to more than 400 employees participating in the Employees' Stock Purchase Plan through salary deductions, compared with 37,240 shares the year before.

Aggregate proceeds of $ 7.5 million from these sources, compared with $ 4.4 million in 1982, added to the funds generated from operations in excess of the investment program requirements, as well as an increase in short-term loans of about $ 6.8 million enabled the Company to redeem $ 28.6 million of bonds at maturity and meet the sinking fund requirements for preferred shares and long-term debt totalling $ 1.4 million. As a result, the debt to equity ratio went from 52:48 as of December 31, 1982 to 44:56 at the end of this year.

On December 31, 1983, the Company had 4,685,410 common shares outstanding, an increase of 326,899 over the same date in 1982. *La Compagnie de Téléphone Anglo-Canadienne* and *Caisse de dépôt et placement du Québec* respectively held 50.9% and 16.9% of that total. Nearly 4,000 other shareholders, 500 of whom being Québec-Téléphone employees, held the remaining 1,506,305 shares.

FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

The Management of Québec-Téléphone is responsible for the integrity and objectivity of the financial and operational data contained in this annual report; these consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, in certain circumstances, include amounts that are based on best estimates and judgments.

The Company has a system of internal accounting and audit controls which provides reasonable assurance that the financial transactions are properly recorded and executed in accordance with required approvals, that financial statements are properly prepared and assets safeguarded.

The Board of Directors fulfils its responsibility with regard to the financial statements contained in this annual report principally through its Audit Committee, consisting solely of outside directors, which meets periodically with Management as well as with the internal and external auditors. The latter have full and free access to the Audit Committee, and meet with it, with and without Management being present, to discuss auditing and financial reporting matters.

On behalf of Management,

Simon Soucy
Vice President - Finance
and Treasurer

Raymond Sirois
President and Chief
Executive Officer

AUDITORS' REPORT

To the Shareholders of Québec-Téléphone:

We have examined the consolidated balance sheets of Québec-Téléphone (a Québec company) and subsidiary as of December 31, 1983 and 1982, and the related consolidated statements of income and reinvested earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Québec-Téléphone and subsidiary as of December 31, 1983 and 1982, and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis during the years.

Samson Bélair
Chartered Accountants

Arthur Andersen & Cie
Chartered Accountants

January 27, 1984

STATEMENTS OF INCOME AND REINVESTED EARNINGS

for the years ended December 31

		1983	1982
		Thousands of dollars	
Operating revenues	Local service	**$ 55,993**	$ 51,852
	Long-distance service	**94,354**	87,183
	Other operating revenues	**1,856**	1,733
	Less: uncollectible accounts	**687**	1,181
		151,516	139,587
Operating expenses	Maintenance	**27,700**	24,738
	Depreciation	**28,447**	24,627
	Other operating expenses (Note 5)	**33,876**	34,171
	Pension plans and other employee benefits (Note 6)	**3,649**	3,625
	General taxes (Note 7)	**12,080**	11,190
		105,752	98,351
Operating income		**45,764**	41,236
	Other income (Note 8)	**1,402**	1,507
Income before financial expenses and income taxes		**47,166**	42,743
Financial expenses	Interest on long-term debt	**10,759**	11,350
	Other interest	**1,649**	1,935
	Unrealized loss on foreign currency (Note 1)	**471**	474
	Amortization of discount and expenses on long-term debt	**150**	168
		13,029	13,927
Income before income taxes		**34,137**	28,816
	Income taxes (Note 12)	**14,707**	13,182
Net income		**19,430**	15,634
	Dividends on Preferred and Subordinate Preferred shares	**1,385**	1,507
Net income applicable to Common shares		**18,045**	14,127
Reinvested earnings	At beginning of year	**40,364**	34,813
		58,409	48,940
	Less: dividends on Common shares	**10,104**	8,576
	At end of year	**$ 48,305**	$ 40,364
Earnings per Common share		**$ 3.97**	$ 3.35
Dividends declared per Common share		**$ 2.22**	$ 2.03
Average number of Common shares (thousands)		**4,547**	4,222

BALANCE SHEETS

		December 31	
ASSETS		**1983**	1982
		Thousands of dollars	
Telecommunications property, at cost	Buildings, plant and equipment	**$ 445,830**	$ 425,756
	Less: accumulated depreciation (Note 10)	**155,232**	136,819
		290,598	288,937
	Land	**1,787**	1,765
	Property under construction	**8,176**	11,686
	Construction materials, at average cost	**7,592**	6,564
		308,153	308,952
Investment in Common shares of Telesat Canada, at cost		**600**	600
Current assets	Cash	**465**	774
	Accounts receivable	**17,580**	15,926
	Prepaid expenses and other	**1,254**	613
		19,299	17,313
Deferred charges	Unamortized discount and expenses on long-term debt	**1,019**	1,170
	Unrealized loss on foreign currency (Note 1)	**4,020**	4,319
	Other	**1,590**	2,111
		6,629	7,600
Total assets		**$ 334,681**	$ 334,465

On behalf of the Board of Directors, February 7, 1984

Raymond Sirois, Director

Hervé Belzile, Director

SHAREHOLDERS' EQUITY AND LIABILITIES		1983	1982
		Thousands of dollars	
Shareholders' equity (Note 2)	Common share equity		
	Common shares	**$ 64,661**	$ 57,067
	Reinvested earnings	**48,305**	40,364
		112,966	97,431
	Subordinate Preferred shares	**151**	208
	Preferred shares	**19,594**	21,025
		132,711	118,664
Long-term debt (Note 3)		**85,235**	116,465
Current liabilities	Cheques issued in excess of bank balances	**3,090**	407
	Short-term debt (Note 11)	**20,453**	11,017
	Accounts payable		
	Affiliates	**536**	1,248
	Other	**9,144**	6,371
	Accrued interest	**2,713**	2,344
	Income taxes payable (Note 12)	**6,156**	2,385
	Dividends payable	**3,052**	2,676
	Other accrued liabilities	**7,353**	6,463
	Advance billing	**3,092**	3,035
		55,589	35,946
Deferred income taxes (Note 12)		**61,146**	63,390
Total shareholders' equity and liabilities		**$ 334,681**	$ 334,465

Simon Soucy
Vice President - Finance and Treasurer

CHANGES IN FINANCIAL POSITION

for the years ended December 31

		1983	1982
		Thousands of dollars	
Source of funds	**From operations**		
	Net income applicable to Common shares	**$ 18,045**	$ 14,127
	Expenses not requiring a cash outlay		
	Depreciation	**28,447**	24,627
	Deferred income taxes — this year (Note 12)	**(2,366)**	1,930
	Other	**1,457**	1,693
		45,583	42,377
	Increase in deferred income taxes — prior years (Note 12)	**122**	1,069
	Net proceeds from financing		
	Common shares	**7,537**	4,401
	Increase (decrease) in short-term notes	**6,810**	(1,890)
		14,347	2,511
		60,052	45,957
Application of funds	**Telecommunications property**		
	Gross capital expenditures	**29,190**	34,869
	Increase (decrease) in construction materials	**1,028**	(2,066)
	Less: charges not requiring a cash outlay	**2,172**	952
		28,046	31,851
	Other		
	Dividends on Common shares	**10,104**	8,576
	Redemptions of Preferred shares and repayments of long-term debt	**30,123**	4,912
		40,227	13,488
		68,273	45,339
	Increase (decrease) in working capital (Note 13)	**(8,221)**	618
	Working capital deficiency, beginning of year	**(7,616)**	(8,234)
	Working capital deficiency, end of year	**$ (15,837)**	$ (7,616)

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 1983 and 1982

1. Significant Accounting Policies

The financial statements have been prepared in conformity with Canadian generally accepted accounting principles, and in accordance with prevailing practices in the Canadian telecommunications industry. Certain reclassifications were made in the financial statements of the preceding year to conform to the presentation adopted in 1983.

The regulated activities of the Company are subject to regulations of the *Régie des services publics* of Québec.

Earnings per Common Share
Earnings per Common share are calculated using the quarterly weighted average number of outstanding Common shares eligible for quarterly dividend.

Consolidation
These financial statements include the accounts of *La Compagnie de Téléphone Bonaventure et Gaspé, Limitée*, an inactive wholly-owned subsidiary.

Accounting for Certain Costs
Along with other telecommunications companies and with the concurrence of the *Régie des services publics* of Québec, the Company has, for some years, been charging to expense certain costs which previously would have been capitalized. In comparison with the preceding year, these costs represent in 1983 an increase in operating expenses of approximately $ 1,495,000.

Telecommunications Property
Telecommunications property is recorded at original cost and includes certain costs related to pension, payroll taxes and funds used during construction applicable to the construction activity. The original cost of retired telecommunications property is charged to accumulated depreciation or, to construction materials when such property can be re-used; therefore, no gain or loss on retirement is recognized in the statement of income.

Depreciation
Depreciation is calculated by the straight-line method using rates based on the estimated service life of the assets. The composite depreciation rate was 6.55% in 1983 and 5.95% in 1982.

Investment
The investment in Common shares of Telesat Canada is recorded at original cost. Its estimated value under the equity method as at December 31, 1983 was $ 1,281,000.

Amortization of Discount and Expenses on Long-Term Debt
Discount and expenses on long-term debt are amortized using the straight-line method over the life of the related commitments.

Income Taxes
The Company uses the tax allocation method to account for income taxes.

Long-Distance Service Revenues
The Company receives part of its long-distance service revenues pursuant to agreements with other telecommunications companies for services provided jointly. The Company's actual share of the joint business cannot be specifically determined before the completion of settlement studies. Related provisions are recorded in the books.

Translation of Foreign Currencies
Purchases of materials, operating costs and interest paid in foreign currency are stated in these financial statements in Canadian dollars at the rate of exchange prevailing at the transaction date and resulting gains or losses are included in net income for the year in which they are incurred.

The long-term debt payable in U.S. funds is reflected in the financial statements at the Canadian dollar equivalent at the rate of exchange prevailing at the date of balance sheets. Resulting gains or losses are amortized over the remaining period of the series of bonds. The portion charged to operations was $ 471,264 for the year ended December 31, 1983 ($ 473,568 for 1982).

2. Shareholders' Equity

Number of shares at December 31

	Authorized	Outstanding	
		1983	1982
Common shares without nominal or par value	Unlimited	**4,685,410**	4,358,511
$ 1.68 Cumulative Redeemable Convertible Subordinate Preferred shares Series B of the par value of $ 15 each	541,322	**9,432**	13,037
Cumulative Redeemable Preferred shares of the par value of $ 20 each	1,297,279	**1,041,778**	1,113,606

During 1983, transactions related to the capital stock of the Company were as follows:

	Common	Subordinate Preferred	Preferred
Shares outstanding at December 31, 1982	4,358,511	13,037	1,113,606
Issued	323,294	—	—
Redeemed	—	—	(71,828)
Converted	3,605	(3,605)	—
Shares outstanding at December 31, 1983	**4,685,410**	**9,432**	**1,041,778**

Common Shares

During 1983, 323,294 Common shares were issued for $ 7,536,702 under the following plans intended to shareholders and employees:

a) Common Shareholders' Dividend Reinvestment and Share Purchase Plan
b) Common Shareholders' Stock Dividend and Share Purchase Plan
c) Employees' Stock Purchase Plan.

In addition, 3,605 $ 1.68 Cumulative Redeemable Convertible Subordinate Preferred shares Series B were converted into 3,605 Common shares.

As of December 31, 1983, 359,109 Common shares were reserved for issuance under these plans and for conversion of Subordinate Preferred shares.

Subordinate Preferred Shares

The $ 1.68 Cumulative Redeemable Convertible Subordinate Preferred shares Series B are convertible at the option of the holders thereof at any time on or before June 30, 1986, into one Common share for each share so converted.

Since more than 85% of the original issue has now been converted into Common shares, the Company has the option at any time to redeem all or part of the outstanding Series B shares at their prevailing redemption price.

Preferred Shares

Series			**1983**	1982
			Thousands of dollars	
1955	5 %	(sinking fund)	**$ 742**	$ 800
1956	5 %	(sinking fund)	**331**	369
1965	4 3/4 %		**8,000**	8,000
1973	7 3/4 %	(purchase fund)	**4,312**	4,428
1975	9 3/4 %	(sinking fund)	**1,200**	1,800
1977	7 %	(sinking fund)	**6,250**	6,875
Less: sinking fund payments			**1,241**	1,247
			$ 19,594	$ 21,025

In order to meet the sinking fund requirements for the 1955 and 1956 Series, payments for the next five years will be as follows: $ 16,139 in 1984, $ 37,999 in 1985 and $ 50,000 for each of the years 1986, 1987 and 1988.

In addition, the Company must redeem each year 30,000 Preferred shares Series 1975, at par value and make all reasonable efforts to redeem each year 9,000 Preferred shares Series 1973, at a price not exceeding $ 20.

The Company must call for redemption and redeem at par for cancellation 31,248 Preferred shares Series 1977 on October 1, 1984 and 1985, and the remaining 250,016 shares on October 1, 1986.

3. Long-Term Debt

First Mortgage Bonds

Series	Rate	Maturing	Issued	1983	1982
				Thousands of dollars	
F	5 5/8 %	December 1, 1984	$ 3,000,000(U.S.)	**$ 2,668**	$ 2,704
H	5 1/2 %	June 1, 1987	6,000,000	**4,089**	4,189
I	6 %	October 15, 1990	5,000,000	**4,397**	4,450
J	7 %	January 2, 1989	5,000,000	**5,000**	5,000
L	9 1/8 %	April 15, 1991	7,500,000	**375**	377
M	8 3/4 %	May 15, 1992	7,500,000	**7,500**	7,500
N	8 1/2 %	March 15, 1993	8,500,000	**8,500**	8,500
O	9 3/4 %	July 1, 1994	16,500,000(U.S.)	**20,523**	20,370
P	11 7/8 %	October 15, 1995	15,000,000	**15,000**	15,000
Q	10 5/8 %	December 15, 1996	20,000,000	**20,000**	20,000
R	10 1/2 %	December 2, 1983	25,000,000	**—**	25,000
Less: sinking fund payments and debt retirement				**2,817**	185
				85,235	112,905

General Mortgage Bonds

Series	Rate	Maturing	Issued		
D	5 3/4 %	April 1, 1983	$ 5,000,000	**—**	3,560
				$ 85,235	$ 116,465

The Trust Deeds of the Company require the use of a sinking fund or the pledge of additional unmortgaged property for each of the series as follows:

a) Series H and I, First Mortgage:
Annual payment of 1 1/2 % of the principal amount of the bonds issued.

b) Series J, M, N, O, P and Q, First Mortgage:
Annual payment of 1 % or additional mortgage of 1 1/2 % of the principal amount of bonds issued. During the previous years, the Company used the latter alternative.

c) Series L, First Mortgage:
Annual payment of $ 8,960 representing 2% of the aggregate principal amount of bonds issued and not prepaid on April 15, 1975.

During 1983, the Company has redeemed $ 25,000,000 First Mortgage Bonds Series R, the redemption date being December 2, 1983 and $ 3,560,000 General Mortgage Bonds Series D, the redemption date being April 1, 1983.

To meet the sinking fund requirements and the debt retirements, the following payments will have to be made during the next five years:

Year ending December 31	Requirements: Sinking fund payments	Requirements: Debt retirements
	Thousands of dollars	
1984	$ 149	$ 2,668
1985	174	—
1986	174	—
1987	84	3,840
1988	84	—

First Mortgage Bonds of all series are secured equally and rateably under a fixed and specific hypothec, mortgage, pledge, charge, cession and transfer of/and on all immovable property, such as buildings, equipment, telephone lines and apparatus, rights-of-way and similar rights and a floating charge on all other assets. The security provided for the General Mortgage Bonds is similar but subordinated to that provided for the First Mortgage Bonds.

4. Capital Expenditures Program

The cost of the Company's capital expenditures program in 1984, as now planned, is estimated at $ 32.0 million, including the cost of re-usable material and equipment; purchase commitments amounting to approximately $ 4.8 million have been made in connection therewith as of December 31, 1983.

5. Other Operating Expenses

Other operating expenses mainly include wages and expenses of traffic, customer service, marketing, accounting, data processing, industrial relations and human resources as well as engineering costs incurred for planning and administrative purposes, stationery expenses and office services such as mail, house service and the administration of a purchasing department.

6. Pension Plans

The Company maintains funded pension plans for the benefit of its employees in compliance with the requirements of the Québec Supplemental Pension Plans Act. The uncapitalized debt, determined by actuarial valuation, is funded by annual payments charged to operating expenses in accordance with legal requirements.

Based on the actuarial valuation as of December 31, 1981, the unfunded liability of the Company's pension plans was $ 2,662,552 as of December 31, 1983 and will be amortized by annual instalments of $ 389,054 including interest, up to December 31, 1996.

The cost inherent to these pension plans charged to operating expenses was $ 2,226,142 for the year ended December 31, 1983 and $ 2,140,891 for 1982.

7. General Taxes

General taxes were as follows:

	1983	1982
	Thousands of dollars	
Tax on capital	$ 1,355	$ 1,385
Tax assessed under the Municipal Taxation Act	6,683	6,262
Real estate taxes	473	475
Payroll taxes	3,253	2,792
Other taxes	661	633
	12,425	11,547
Less: allocation to telecommunications property	345	357
	$ 12,080	$ 11,190

8. Other Income

Among others, this item includes administration cost calculated on accounts receivable, results of operations of the non-regulated activities as well as an allowance for the cost of funds used during construction. This allowance which amounted to $ 446,065 in 1983 ($ 660,320 in 1982) was applied to the telecommunications property at the rate of 12.06% (11.60% in 1982) and credited to other income. This rate reflects the Company's rate of return on total invested capital for the previous year.

9. Remuneration of Directors and Officers

The total direct remuneration of the directors and officers was $ 663,363 for the year ended December 31, 1983 and $ 620,711 for 1982.

10. Accumulated Depreciation

Changes in the accumulated depreciation account were as follows:

	1983	1982
	Thousands of dollars	
Balance at beginning of year	$ 136,819	$ 126,325
Amount charged to depreciation account	28,447	24,627
Amount charged to other accounts	—	491
Less: telecommunications property retired (net value)	10,034	14,624
Balance at end of year	$ 155,232	$ 136,819

11. Short-Term Debt

At December 31, short-term debt includes:

	1983	1982
	Thousands of dollars	
Short-term notes		
Bank	$ 7,395	$ 3,585
La Compagnie de Téléphone Anglo-Canadienne	7,000	6,000
Promissory notes	2,000	—
Sinking fund payments and debt retirement		
Cumulative Redeemable Preferred shares	1,241	1,247
Long-term debt	2,817	185
	$ 20,453	$ 11,017

The average interest rate on short-term notes was 9.98% in 1983 and 15.92% in 1982.

The Company's policy is to utilize short-term debt as interim financing.

The short-term debt is considered in computing the average debt service cost and the rate of return on average invested capital.

12. Income Taxes

The Company has been assessed by the Department of National Revenue and by the *Ministère du Revenu* of Québec up to and including December 31, 1982. Audits have been made by the Department of National Revenue from 1977 to 1979 inclusively; no material adjustment has resulted from these. Audits have also been made by the *Ministère du Revenu* of Québec from 1974 to 1978 inclusively; these audits have not yet been completed but, as per Management estimates, no important liability should ensue.

The effective income tax rate was 42.5% in 1983 and 45.5% in 1982.

Current and deferred income taxes for the years were as follows:

	1983	1982
	Thousands of dollars	
Current	**$ 17,073**	$ 11,252
Deferred	**(2,366)**	1,930
	$ 14,707	$ 13,182

The reconciliation of the income tax accounts shown in the balance sheets is presented below:

	Current income taxes		Deferred income taxes	
	1983	1982	**1983**	1982
	Thousands of dollars			
Balance at beginning of year	**$ 2,385**	$ 3,384	**$ 63,390**	$ 60,391
Payments	**(13,481)**	(11,307)	**—**	—
Provision	**17,073**	11,252	**(2,366)**	1,930
Prior years' adjustments	**179**	(944)	**122**	1,069
Balance at end of year	**$ 6,156**	$ 2,385	**$ 61,146**	$ 63,390

13. Changes in Working Capital other than Short-Term Debt

The changes in working capital are accounted for by:

	1983	1982
	Thousands of dollars	
Increase (decrease) in current assets		
Cash	**$ (309)**	$ (44)
Accounts receivable	**1,654**	927
Prepaid expenses and other	**641**	(89)
(Increase) decrease in current liabilities		
Cheques issued in excess of bank balances	**(2,683)**	336
Accounts payable and other accrued liabilities	**(3,753)**	(1,511)
Income taxes payable	**(3,771)**	999
Increase (decrease) in working capital	**$ (8,221)**	$ 618

14. Related Party Transactions

GTE International Incorporated, GTE Service Corporation, *La Compagnie de Téléphone Anglo-Canadienne*, *AEL Microtel Limitée*, *GTE Sylvania Canada Limitée* and Dominion Directory Company Limited and their respective subsidiaries are direct or indirect affiliates of the Company.

The Company's policy is to purchase high-quality goods and services at the best possible price. Consequently, no advantage is given to affiliates and transactions with these are made on a competitive basis, that is at the same or better conditions which would have prevailed if the parties had not been affiliated.

Out of a total disbursement of $ 66.4 million in dividends, goods and services, in 1983, the Company has paid $ 12.1 million to affiliates. The Company has paid to *La Compagnie de Téléphone Anglo-Canadienne* interests on short-term notes amounting to $ 0.4 million; the rate of interest on these notes being the same as on 30-day Canadian commercial paper.

QUARTERLY FINANCIAL DATA 1983

	Three months ended			
	March 31	June 30	Sept. 30	Dec. 31
	Thousands of dollars			
Operating revenues	$ 35,941	$ 38,367	$ 38,815	$ 38,393
Operating expenses	15,792	16,266	16,458	16,709
Depreciation	6,394	6,446	7,848	7,759
General taxes	3,004	3,115	2,953	3,008
	25,190	25,827	27,259	27,476
Operating income	10,751	12,540	11,556	10,917
Other income	354	445	199	404
Income before financial expenses and income taxes	11,105	12,985	11,755	11,321
Financial expenses	3,167	3,523	3,100	3,239
Income before income taxes	7,938	9,462	8,655	8,082
Income taxes	3,371	4,028	3,617	3,691
Net income	4,567	5,434	5,038	4,391
Dividends on Preferred and Subordinate Preferred shares	357	347	346	335
Net income applicable to Common shares	$ 4,210	$ 5,087	$ 4,692	$ 4,056
Earnings per Common share	$ 0.95	$ 1.13	$ 1.03	$ 0.86
Dividends declared per Common share	$ 0.53	$ 0.53	$ 0.58	$ 0.58

FIVE-YEAR REVIEW

		1983	1982	1981	1980	1979
Selected results and reinvested earnings items (thousands of dollars)	Operating revenues	$ **151,516**	$ 139,587	$ 130,884	$ 112,000	$ 101,303
	Operating expenses (excluding depreciation and general taxes)	**65,225**	62,534	56,455	47,775	42,040
	Depreciation	**28,447**	24,627	26,318	22,470	20,839
	General taxes	**12,080**	11,190	9,115	7,133	6,203
	Total operating expenses	**105,752**	98,351	91,888	77,378	69,082
	Financial expenses	**13,029**	13,927	13,119	12,642	12,347
	Income taxes	**14,707**	13,182	13,821	11,517	10,015
	Net income	**19,430**	15,634	13,824	11,640	10,902
	Dividends on Preferred and Subordinate Preferred shares	**1,385**	1,507	1,619	1,765	1,882
	Net income applicable to Common shares	**18,045**	14,127	12,205	9,875	9,020
	Dividends on Common shares	**10,104**	8,576	8,089	6,444	5,875
	Reinvested net income	**7,941**	5,551	4,116	3,431	3,145
Selected balance sheet items (thousands of dollars)	Telecommunications property, at cost	$ **463,385**	$ 445,771	$ 428,517	$ 394,648	$ 361,496
	Accumulated depreciation	**155,232**	136,819	126,325	107,888	93,083
	Common share equity	**112,966**	97,431	87,461	81,316	63,864
	Preferred and Subordinate Preferred shares	**19,745**	21,233	22,549	24,368	25,790
	Long-term debt	**85,235**	116,465	115,329	115,641	116,019
	Short-term debt	**20,453**	11,017	12,971	6,792	8,711
Financial statistics	Earnings per Common share	$ **3.97**	$ 3.35	$ 3.02	$ 2.82	$ 2.72
	Dividends declared per Common share	$ **2.22**	$ 2.03	$ 2.00	$ 1.84	$ 1.77
	Dividend payout ratio	**56.0 %**	60.7 %	66.3 %	65.3 %	65.1 %
	Value per Common share					
	Equity (1)	$ **24.11**	$ 22.35	$ 21.36	$ 20.44	$ 19.16
	Market value (high-low) (2)	$ **31 1/2-19 3/4**	$ 20 7/8-15 3/4	$ 20 7/8-16 1/2	$ 23-18	$ 26-21 1/2
	Return on average Common share equity	**17.1 %**	15.5 %	14.5 %	14.5 %	14.6 %
	Return on average invested capital (3)	**13.2 %**	12.1 %	11.6 %	11.0 %	10.9 %
	Average debt service cost (3)	**11.0 %**	10.6 %	10.6 %	10.1 %	10.0 %
	Debt ratio (3)	**44.3 %**	51.8 %	53.8 %	53.7 %	58.2 %
	Interest coverage on long-term debt (times)	**4.17**	3.54	3.45	3.06	2.85
Other statistics	Average number of Common shares (thousands)	**4,547**	4,222	4,044	3,502	3,319
	Number of Common shareholders (1)	**3,955**	3,617	3,295	2,815	1,876
	Number of employees (1)	**2,023**	2,036	2,166	2,195	2,209
	Salaries and benefits (thousands of dollars)	$ **55,914**	$ 53,633	$ 50,702	$ 44,033	$ 39,645
	Gross capital expenditures (thousands of dollars)	$ **29,190**	$ 34,869	$ 44,550	$ 42,641	$ 36,044
	Telecommunications property per subscriber line in service (1)	$ **2,212**	$ 2,180	$ 2,117	$ 1,984	$ 1,896
	Subscriber lines in service (1)	**209,492**	204,455	202,419	198,931	190,644
	Terminals in service (1)	**290,713**	287,318	284,458	279,556	267,911
	Toll messages handled (thousands)	**29,501**	28,175	30,002	29,656	27,929

(1) Year-end
(2) Valuation day value (December 22, 1971): $ 13.75 per share
(3) See note 11 to the accompanying financial statements

BOARD OF DIRECTORS

Hervé Belzile †
Chairman and Chief Executive Officer
Alliance compagnie mutuelle d'assurance-vie

Roger Charbonneau †
President
Laboratoires Anglo-French Limitée

Roger DeSerres *
Chairman of the Board
Produits Cellulaires Waterville

James L. Johnson
President - Telephone Operating Group
GTE Service Corporation

Charles Mercier *
Vice President - Marketing and Customer Service
Québec-Téléphone

Roger Néron
President and Chief Executive Officer
Culinar Inc.

Bernard Panet-Raymond *†
President
O.R.C. Canada Inc.

Claude Pratte, Q.C. *
Advocate

Raymond Sirois **
President and Chairman of the Board
Québec-Téléphone

William E. Starkey
Group Vice President - Telephone Operating Group
GTE Service Corporation

Antoine Turmel, O.C.
Chairman and Chief Executive Officer
Provigo Inc.

** president of executive committee
* member of executive committee
† member of audit committee

At the meeting of the Board of Directors held on November 8, 1983, Mr. Roger Néron, President and Chief Executive Officer of *Culinar Inc.*, was appointed member of the Board to succeed Mr. M. Brian Mulroney who had resigned in June 1983.

OFFICERS

Raymond Sirois
President and Chief Executive Officer

Charles Mercier
Vice President - Marketing and Customer Service

Ghislain Bouchard
Vice President - Human Resources and Legal Affairs, Secretary

Robert Duchesne
Vice President - Network Engineering and Construction

Simon Soucy
Vice President - Finance and Treasurer

Gilles Laroche
Vice President - Business Development

Andrée Bélanger
Assistant Secretary

GENERAL INFORMATION

Québec-Téléphone is incorporated under the laws of Québec by Letters Patent dated June 7, 1927 and is subject to the regulatory authority of the *Régie des services publics* of Québec.

Major Shareholder
As at December 31, 1983, *La Compagnie de Téléphone Anglo-Canadienne*, 8750, chemin de la Côte-de-Liesse, Saint-Laurent, Québec, owned 2,385,965 Common shares of Québec-Téléphone, or 50.9% of outstanding Common shares.

Listing of Shares
Common shares, 4 3/4% Preferred shares Series 1965, 7 3/4% Preferred shares Series 1973 and $ 1.68 Cumulative Redeemable Convertible Subordinate Preferred shares Series B are listed on the Montréal and Toronto stock exchanges. The 5% Preferred shares Series 1955 and 1956 are listed on the Montréal stock exchange.

Stock Transfer Offices
Trust Général du Canada, 1100, rue University Montréal, Québec, is the Registrar and Transfer Agent for all classes of shares of the Company. *Compagnie Trust Royal* is the Co-Transfer Agent and Registrar for the 4 3/4% Preferred shares Series 1965, at its offices in Toronto and Winnipeg, and is the Co-Transfer Agent and Registrar for the 7 3/4% Preferred shares Series 1973, for the $ 1.68 Cumulative Redeemable Convertible Subordinate Preferred shares Series B and for the Company's Common shares at its offices in Saint John, N.B., Toronto, Winnipeg, Regina, Calgary and Vancouver.

Trustee for Bonds
Trust Général du Canada
1100, rue University
Montréal, Québec

Bankers
Banque Nationale du Canada
Banque de Montréal

Subsidiary
La Compagnie de Téléphone Bonaventure et Gaspé, Limitée
New Carlisle, Québec

Annual Meeting
The Directors appreciate the interest shown by shareholders who attend the Annual General Meetings and who participate in the discussion of the Company's affairs. This year the meeting will be held on April 10, 1984, in Rimouski, Québec. All shareholders who find it possible to attend are urged to do so.

Head Office: 6, rue Saint-Jean, Rimouski (Québec) G5L 7E4